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Supreme Court of the United States

October Term, 1938

No. 582

ELECTRICAL FITTINGS CORPORATION, JOSEPH SELSON, SALRS CORPORATION, SAMUEL JOSELSON AND BELLE JOSELSON,
Petitioners,

vs.

THE THOMAS & BETTS CO. and NATIONAL ELECTRIC PRODUCTS CORPORATION,
Respondents.

BRIEF FOR PETITIONERS.

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FLOYD H. CREWS,
Counsel for Petitioners.



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ELECTRIC PRODUCTS CORPORATION,
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BRIEF FOR PETITIONERS.

This is a patent infringement suit, here on writ of certiorari to the Second Circuit Court of Appeals.

Opinions of the Courts Below.

The opinion of the District Court for the Southern District of New York is reported at 23 Fed. Supp. 920, and will be found in the record at page 259.

The opinion of the Court of Appeals is reported at 100 Fed. (2) 403, and will be found in the record at page 312.

Jurisdiction.

The date of the judgment to be reviewed is December 12, 1938.

The writ of certiorari was granted by this Court on February 13, 1939.

The jurisdiction of this Court is invoked under Section 240-A of the Judicial Code (28 U. S. C. 347) as amended by the Act of February 13, 1925.

The cases believed to sustain the jurisdiction are:

General Talking Pictures Corp. v. Western Electric Co., et al., 304 U. S. 175;
Leitch Manufacturing Co. v. Barber Asphalt Co., 302 U. S. 458;
Carbice Corp. v. American Patents Development Corp., 283 U. S. 27.

Assignment of Errors.

The errors which petitioners urge, are that the Court of Appeals erred

- (1) in dismissing the appeal from the decree of the District Court in so far as it adjudged claim 1 of Fullman Patent No. 1,769,947 to be valid; and
- (2) in failing to consider and determine the validity of claim 1 of Fullman Patent No. 1,769,947.

Statement of the Case.

1. The individual petitioners, Samuel Joselson and Belle Joselson, are part owners and officers of the corporate petitioners of which Joselson Sales Corporation has ceased to be active. Petitioner, Electrical Fittings Corporation, is engaged in the business of wholesale jobbing and distributing electrical fittings, such as outlet boxes, connectors, fuses, plugs, etc.

2. The electrical fittings sold by petitioner, Electrical Fittings Corporation, are purchased from the manufac-

turers thereof; none of the petitioners being or having been engaged in the manufacture of these commodities.

3. Respondent, National Electric Products Corporation, a Delaware corporation, is recognized as dominating the electrical business in the supply of wires, cables, bushings, fittings, etc. It is the owner of the Fullman patent in suit, and has granted an exclusive license thereunder to respondent, The Thomas & Betts Co., a New Jersey corporation.

4. The patent relates to an electrical outlet for connecting wire terminals of a source of current supply to conductors by which the current is conducted to a distant place. Outlets are very old in the electrical art, and have long been regarded as necessary "electrical fittings" in building construction. What is claimed as the invention of the patent by the two claims thereof is a combination of four elements consisting of (1) an armored cable, (2) a bushing of insulating material positioned within the cable, (3) a connector of a particular construction, and (4) means for securing the connector to the armored cable.

5. Although the patent is expressly directed and limited to the combination of the foregoing four elements arranged or assembled in a particular manner, respondents are utilizing the patent to effect and maintain a monopoly in but one of the elements, namely the connector (No. 3 above), which is unpatented *per se*. This respondents do by granting licenses to all known manufacturers of the unpatented connectors (R. 31, fol. 93), on the condition that the licensees will sell the unpatented connectors *only* at prices fixed by respondent, The Thomas & Betts Co. (R. 214, par. 5) and *only* to purchasers approved by said respondent and named on a so-called "approved list" which said respondent formulates and supplies to the licensees (R. 216, par. 7). To this

list respondent expressly reserves the right to "from time to time add or remove names" at its will. By means of this paragraph of the licenses respondents are in a position where they can and do dictate to whom unpatented connectors may be sold, thereby dominating and controlling the business in current outlets. In addition, it will be seen that as a condition to including any jobber of electrical equipment on the "approved" list of purchasers of the unpatented connectors, plaintiffs may impose any terms or conditions they may see fit, capriciously, maliciously, or otherwise.

6. Because petitioners purchased the unpatented connectors from a manufacturer thereof who theretofore had been one of respondents' licensees (but whose license had been canceled) and jobbed them for use with electrical outlets and armored cable, respondents instituted this suit against petitioners charging them with *contributory* infringement of the Fullman patent. Petitioners denied infringement and, additionally, asserted invalidity of the patent.

7. On March 22, 1938, the District Court filed its opinion (23 Fed. Sup. 920), finding claim 1 of the patent to be valid, claim 2 of the patent to be invalid, and ordering the complaint dismissed because plaintiffs had failed to prove that the unpatented connectors purchased and resold by petitioners were manufactured by the licensed manufacturer *subsequent* to the cancellation of its license rather than *prior* thereto. The District Court indicated in its opinion that contributory infringement would have been found had respondents discharged their burden of proof in this regard.

8. On April 27, 1938, the District Court entered a final decree to that effect.

9. On June 28, 1938, petitioners filed a petition for an appeal from that part of the decree which adjudicated validity for claim 1 of the Fullman patent. This petition was granted on June 28th, and the order allowing the appeal was entered on the same day (R. 290, 291). Respondents filed no appeal then or thereafter from the decree of the District Court; and filed no disclaimer of the invalidated claim 2 until August 19, 1938, 150 days after the opinion of invalidation, and 114 days after the decree to that effect.

10. Prior to docketing their appeal, petitioners brought a motion in the District Court to set aside the decree and hold the patent invalid in its entirety under Sections 4917 and 4922 R. S. for unreasonable delay in filing the disclaimer of the invalidated claim 2. The District Court held that its jurisdiction terminated with the *allowance* of the appeal, and denied the motion without passing on its merits (25 Fed. Supp. 173, and R. 306).

11. Respondents thereafter (on October 4, 1938) procured a reissuance of the Fullman patent (as Reissue Patent No. 20,873) in which reissue the invalidated claim 2 of the original patent was omitted, validated claim 1 was retained, and two additional claims "broader than claim 1" were added.*

12. On November 9, 1938, petitioners docketed their appeal in the Court of Appeals.

13. On November 10, 1938, respondents presented a motion to the Court of Appeals for a dismissal of the appeal on the ground that the

"bill of complaint having been dismissed by the final decree of the District Court * * * all equitable juris-

* This quoted language is from a letter of respondent, The Thomas & Betts Co., to which reference is made hereinafter (see par. 14).

dition is ousted and the defendants-appellants' appeal merely raises a moot or academic question of law" (R. 301).

At the same time petitioners, under the practice outlined in *Railway Engineering Co. v. Oregon Short Line R. Co.*, 79 Fed. (2d) 469, C. C. A. 10, moved in the Court of Appeals for a summary judgment of invalidity of the patent in its entirety because of plaintiffs' unreasonable delay in filing the disclaimer (R. 303). These motions were argued before the Court of Appeals on November 14, 1938.

14. On November 25, 1938, while the motions were pending decision by the Court of Appeals, respondent, The Thomas & Betts Company, addressed the following communication to petitioner, Electrical Fittings Corporation (R. 311A).

"November 25, 1938

"Electrical Fittings Corporation,
663 Broadway,
New York City.

Gentlemen:

We enclose herewith a copy of reissue patent #20873 of Fullman patent #1,769,947.

You will notice that claim 2 of the original patent has been disclaimed and that two additional claims have been added, both of which are broader than the original claim 1.

*We hereby demand that you purchase connectors embodying the improvements claimed and described in this reissued patent from licensees of this company only.**

Very truly yours,

THE THOMAS & BETTS CO.

(Sgd.) Adnah McMurtrie,
Secretary."

* Emphasis ours throughout.

The plain inference from this letter is that petitioners will again be sued for infringement of the patent unless respondent's "demand" is complied with.

15. The Court of Appeals, on December 12, 1938, granted respondents' motion and dismissed the appeal, indicating that it regarded that portion of the *decree* of the District Court which sustained claim 1 of the patent as valid to be *obiter dictum*. Petitioners' motion was denied without consideration of its merits (100 Fed. (2d) 403; and R. 312-314).

The Question Presented.

The sole question presented is whether or not the defendant in a patent infringement suit has a right of appeal from a final decree of the District Court holding one or more claims of the patent in suit to be valid, even though the complaint is ordered dismissed.

Argument.

It is petitioners' position that the question should be answered in the affirmative.

In the first place, there is nothing in the statute (28 U. S. C. A. 225A, Judicial Code, Sec. 128, amended) which precludes appeal to or review by a Circuit Court of Appeals in such circumstances. To the contrary, the statute provides that the Circuit Court of Appeals

"shall have appellate jurisdiction to review by appeal or writ of error final decisions—First. In the district courts, in all cases save where a direct review of the decision may be had in the Supreme Court under Section 345 of this Title."

The decree in the case at bar is, of course, a final decree.

In the next place, inasmuch as the decree sustains the validity of a patent grant, thereby establishing a monopoly for the period of its grant to the detriment of the public interest, that public interest necessitates, when called upon to give it, appellate scrutiny of the basis for or the legality of such monopoly. The normal and intended function of an appellate tribunal is to correct the errors of the courts inferior to it.

If the decree of validity for a patent were not reviewable by appeal regardless of all other issues of the case it is self-evident that such decree might never be reviewed by an appellate tribunal even though, as in the case at bar, it was based on fundamental and glaring errors of law. Certainly, the doctrines of *res judicata*, comity, and, conceivably, of *stare decises*, would lend their weight to the erroneous judgment and tend to its territorial expansion and perpetuation.

The consequences flowing from the holding of the Court of Appeals below that no appeal lies from the final decree in this cause will be self-evident upon consideration of the facts in the present case.

Petitioners were here charged with *contributory* infringement, and their principal defense to the suit was the invalidity of the patent on numerous grounds; including

- (a) because of want of patentable invention in view of the prior art;
- (b) because of the aggregational character of the claims, the sole alleged novelty residing in the particular construction of one element of an old four-element combination (cf. *Lincoln Engineering Corp. v. Stewart-Warner Corp.*, 303 U. S. 544);

(c) because respondents were utilizing the patent to effect a monopoly in an unpatented commodity (cf. *Leitch Manufacturing Co. v. Barber Asphalt Co.*, 392 U. S. 458; *Carbice Corp. v. American Patents Development Corp.*, 283 U. S. 27).

The District Court erroneously overruled all of the defenses as to claim 1 of the patent and sustained its validity, but decreed the dismissal of the bill of complaint because respondents had not discharged the burden they carried with respect to proof of infringement. The result is that with respect to petitioners the decree of validity of claim 1 of the patent becomes *res judicata*. Petitioners are under the moral duty and economic necessity of openly defending and protecting their customers in the event one or more of them are sued for *direct* infringement of the patent by reason of their purchase of unpatented connectors from petitioners. Conceivably, petitioners might even be under contractual obligations to that effect. Further litigation on the patent, as reissued, has already been indicated in the event petitioners do not comply with the "demand" of respondent The Thomas & Betts Co. to acquire their unpatented connectors from licensees of said respondents (see *ante* p. 6). In any and all such suits petitioners will be estopped from attacking or questioning the validity of this obviously invalid patent (*Oliver-Sherwood Co. v. The Patterson-Ballagh Corp.*, 95 Fed. (2) 71).

Moreover, it is elemental that the estoppel applies not only to what was decreed by the Court in the present case, but to everything which could have been decided in the case with respect to validity of the patent (*Cromwell v. Sac County*, 94 U. S. 351).

It is believed to be no answer to this situation to imply, as did the Court of Appeals below, that the District Court

improperly included the adjudication of validity of claim 1 of the patent in its final decree. The fact remains that the District Court did do so, and it was the duty of the Court of Appeals to correct that error, which, of course, it could not do and be consistent with its ruling that the defendant had no right of appeal.

Nor is it an answer for the Court of Appeals to assert (R. 313) that

" * * * we cannot hold that under this decree the defendants are estopped from contesting again the validity of that claim. The reason is that the validity of claim 1 was in no sense necessary to support the decree dismissing the bill."

Obviously, the Court of Appeals below was not, and in the present case could not have been called upon to so hold. The estoppel would be effectively pressed in *other* courts of first instance. And this could not be avoided by the reason advanced by the Court of Appeals for its conclusion, namely, that because the bill was dismissed it was not "necessary" for the District Court to include in the decree a holding of validity. Clearly, the Court of Appeals evaded the issue, and avoided the fact that the District Court did do so.

The Court of Appeals did not and could not point to a single requirement missing in the case at bar, which would free petitioners from the most rigorous prerequisites to complete application of the doctrine of *res judicata*. (Cf. *Cromwell v. Sac County*, 94 U. S. 351).

Thus, regardless of what the Court of Appeals below may have thought or believed on the subject of estoppel, the fact remains that petitioners, by the final decree in this case, will forever hereafter be barred by judgment estoppel from questioning the validity of the obviously invalid patent herein suit.

While this Court has not passed squarely on the question here involved, it recently approached that question in the case of *Morley Construction Co. v. Maryland Co.*, 300 U. S. 185, 191. In that case this Court was considering what might be urged upon an appellate court by an appellee, both with and without a cross-appeal, and, speaking through Mr. Justice Cardozo, said:

“Without a cross-appeal, an appellee may ‘urge in support of a decree any matter appearing in the record although his argument may involve an attack upon the reasoning of the lower court or an insistence upon matter overlooked or ignored by it.’ (cases cited). What he may not do in the absence of a cross-appeal is to ‘attack the decree with a view either to enlarging his own rights thereunder or of lessening the rights of his adversary, whether what he seeks is to correct an error or to supplement the decree with respect to a decree not dealt with below’ (cases cited).”

Obviously, under the foregoing case, if respondents had taken an appeal from the dismissal of the complaint in this case, petitioners could not have attacked the validity of the patent in the Court of Appeals without filing a cross-appeal directed thereto. How can it be said, however, that petitioners could have filed a cross-appeal on validity under such circumstances when the Court of Appeals has held in the case at bar that petitioners have no right of appeal whatever? We know of no authority to support the proposition that a cross-appeal would lie where a single appeal would not.

Even if it did, if respondents had appealed from the decree dismissing their bill, and petitioners had filed a cross appeal from the decree insofar as it sustained the patent as valid, could respondents have defeated petitioners’ right

of review and a hearing on their cross appeal by withdrawing their appeal, or upon the dismissal thereof?

The foregoing question was squarely passed upon by the Court of Appeals for the Ninth Circuit in *Oliver-Sherwood Co. v. Patterson-Ballagh Corporation*, 95 Fed. (2d) 71, as noted in the opinion of the Court of Appeals below. In that case the District Court for the Southern District of California, Central Division, held two of the patents involved in the suit to be valid but not infringed. The plaintiff appealed from the decree of non-infringement, and the defendant appealed from the decree of validity. On the appeal the plaintiff contended that the defendant's appeal could not be heard for the same reason urged by respondents in the present case. The Court, in rejecting the contention, stated (p. 72):

"This position cannot be maintained, although in view of the fact that the plaintiffs by their appeal have presented an opportunity for the cross-appellants to attack the finding of validity in the plaintiffs' patents, *the cross-appellants were not confined to that remedy which might have been destroyed by plaintiffs' dismissing their appeal*. It is true that no accounting was ordered and no relief granted against the Patterson-Ballagh Corporation but, as a party to the action, it would be bound in any future litigation between the parties by the adjudication herein that these two patents were valid. The validity of these two patents was placed in issue by the Patterson-Ballagh Corporation, and was litigated and determined adversely to its contentions. So far as its present design of rubber collars is concerned it might well rest upon the finding of non-infringement, but is not compelled to do so. We therefore hold that the Patterson-Ballagh Corporation on its cross-appeal is entitled to attack the validity of these patents."

From the foregoing it will be seen that there is direct conflict between the decision of the Court of Appeals for the Ninth Circuit, and the Court of Appeals below in the present case.

Moreover, the Court of Appeals for the Sixth Circuit in the case of *Monarch Marking System Co. v. Dennison*, 92 Fed. (2d) 90, passed on the merits of an appeal by the defendant from a decree of the District Court holding validity but non-infringement. In that case four patents were involved in the suit. As to two of the patents the District Court decreed validity but non-infringement. Both plaintiff and defendant appealed from the decree. Apparently, no question was raised as to the right of the defendant to appeal from the decree insofar as it found validity. The Court of Appeals raised no question as to such right, and passed on the merits of the appeal. The practice of the Sixth Circuit, therefore, conforms to that of the Ninth Circuit.

Thus it will be seen that the Court of Appeals for the Second Circuit stands alone in the opinion that the question here presented should be answered in the negative. The Court of Appeals for the Ninth Circuit has taken a diametrically opposite view; and the practice of the Court of Appeals for the Sixth Circuit has been in concurrence with that of the Ninth Circuit Court.

The Authorities Cited by the Court of Appeals Below Are Not in Point.

The Court below cited the cases of *New Orleans v. Emsheimer*, 181 U. S. 153, and *P. E. Sharples Co. v. William A. Lawrence & Son*, 208 Fed. 886, in support of its decision.

The *New Orleans* case was based on practice long since discontinued. There a bill in equity was dismissed on de-

murrer "for want of equity with full reservation of complainant's right to sue and proceed at law". The case was decided in 1901. Under practice long since established the bill would simply have been transferred to the law side, and under the present practice there would not even have been a transfer. The Court said:

"Defendant below sought no affirmative relief but simply to defeat the suit. In this it succeeded and the decree is a bar to another suit in equity on this cause of action so long as it stands unreversed."

Since the plaintiff did not appeal, the Court's finding of want of equity in the bill was conclusive between the parties and completely *disposed of all matters in controversy between them in the equity action*. It was a bar to a further action. The decision of the Court of Appeals below in the present case does not dispose of all matters in controversy, and the Court held it was not a bar to further action. The cases are therefore clearly distinguished.

In the *Sharpless* case an action was brought for trade-mark infringement and unfair competition. The decree of the District Court adjudged the trade-mark invalid, but granted an injunction for unfair competition. Both parties appealed, the plaintiff appealing from the holding of the invalidity of the trade-mark. On the appeal the Third Circuit Court of Appeals sustained the District Court on the findings of unfair competition, but refused to pass on the validity of the trade-mark. *The plaintiff therefore secured an injunction against the further use by the defendant of that trade-mark.*

It is clear that the decree of the Court *completely disposed of all matters in controversy* between the parties. The validity of the trade-mark could never again be in con-

troversy between them because the defendant was enjoined from further use of that mark. Therefore a decision on the validity of the mark was unnecessary.

The Court of Appeals below cited this case in support of its holding that no appeal would be permitted, but *in that case an appeal was permitted and heard*. What the Court there said was that since it had decided one issue which completely disposed of all matters in controversy between the parties, it was unnecessary to decide the other question, although *the appeal was properly before it for decision if such decision was necessary*. Again the cases are clearly distinguishable. In fact, the *Lawrence* case, instead of supporting the Second Circuit, indicates that the practice in the Third Circuit conforms to that of the Ninth and Sixth Circuits.

The Court of Appeals below also cited the cases of *Lindheimer v. Illinois Bell Co.*, 292 U. S. 151, and *New York Telephone Co. v. Maltbie*, 291 U. S. 645, in support of the proposition that a successful litigant may not appeal from a decree merely to obtain a review of "findings which he believes erroneous but which are unnecessary to support the decree". We have no quarrel with this proposition, but we fail to see its relevancy to the issue here presented. An examination of the cases cited makes quite evident their want of relevancy.

In the present case petitioners are not seeking a review of "findings" of the District Court. To the contrary, they are asserting their right to appeal from a *final decree* which they believe to be erroneous, and which, unless reviewed and corrected, will be forever binding upon them under the doctrine of *res judicata*. It is elemental that a final decree, such as here exists, is the primary prerequisite to the application of that doctrine. This, is, petitioners' asserted right of

appeal is not predicated upon the "finding" of the District Court which led to the final decree. To the contrary, it is predicated upon the final decree itself, jurisdiction of a review of which is expressly accorded the Court of Appeals by the statute.

It will be seen from the foregoing, therefore, that the Court of Appeals below has cited no authority which supports the dismissal of petitioners' appeal in the present case, and we know of none. As opposed to this, however, the Court of Appeals for the Ninth Circuit has passed squarely on the question here presented in a manner diametrically opposite to the judgment of the Court of Appeals below; and that the Court of Appeals for the Sixth Circuit has apparently regarded the affirmative answer to the question as being so obvious as not to require comment.

Conclusion.

It is submitted, therefore, that the question presented should be answered in the affirmative, the judgment of the Second Circuit Court of Appeals reversed, and the case remanded to that Court with instructions to reinstate petitioners' appeal and pass on the merits thereof.

Respectfully submitted,

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